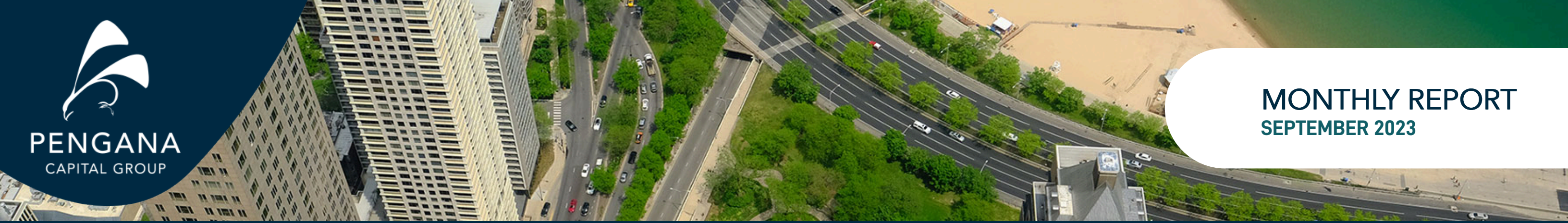


MONTHLY REPORT
SEPTEMBER 2023

PENGANA GLOBAL SMALL COMPANIES FUND

DESCRIPTION

The Fund invests principally in small and midcap listed (or soon to be listed) global equities. Its investment objective is to obtain returns greater than the MSCI All Country World Index SMID Cap unhedged in Australian dollars ('Index') over rolling 3 year periods after fees. The Fund's investment manager, Lizard Investors LLC, uses a value oriented investment approach that seeks to identify and invest in quality businesses that create significant value but are mispriced, overlooked, or out-of-favour. The investment manager believes that unique opportunities exist due to limited available research, corporate actions, or unfavourable investor perception.

STATISTICAL DATA

VOLATILITY[3]	NUMBER OF STOCKS	BETA[4]	MAXIMUM DRAW DOWN
12.9%	39	0.73	0%

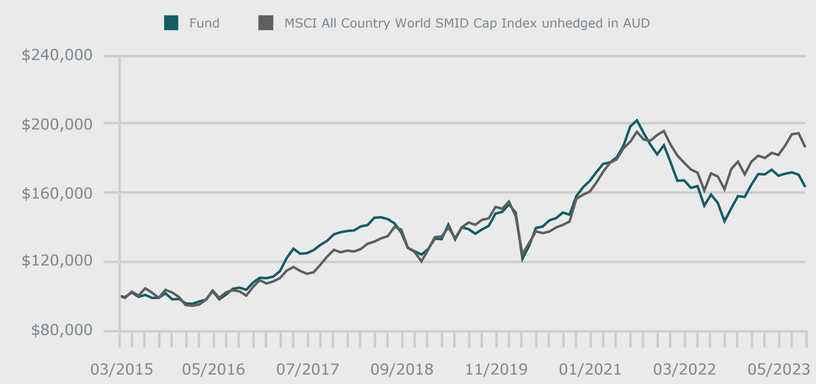
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 Sep 2023[1]

	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	5 YEARS P.A.	SINCE INCEPTION P.A.
Global Small Companies Fund	-4.2%	13.9%	-8.4%	3.2%	3.6%	5.9%
MSCI All Country World SMID Cap Index unhedged in AUD	-4.2%	15.0%	-1.2%	9.7%	6.1%	7.6%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION[2]



TOP HOLDINGS (ALPHABETICALLY)

Irish Continental Group PLC	Industrials
Orion SA	Materials
Parkland Corp	Energy
Serco Group PLC	Industrials
TriNet Group Inc	Industrials

CAPITALISATION BREAKDOWN

Under 2bn USD	51.4%
In between 2bn - 5bn USD	24.4%
Above 5bn USD	17.7%
Cash	6.4%

REGION BREAKDOWN

Europe ex UK	27.1%
North America	23%
Asia ex Japan	7.1%
Japan	7.9%
UK	18.7%
Middle East / Africa	2.4%
Latin America	7.5%
Cash	6.4%

SEPTEMBER REPORT

COMMENTARY

- Global equity markets continued to weaken in September as higher interest rates threatened to further slow consumer spending and rising bond yields impact company valuation levels.
- Smaller companies underperformed large cap stocks during the month.
- The Fund returned -4.2% in September, which was in line with the benchmark.

Global equity markets continued to decline in September as smaller companies again underperformed large-cap stocks. This trend was accelerated by rising longer-term bond yields which reflect growing concerns that inflation has not yet been brought under control.

Despite core US inflation moderating to 4.3% in August, rising oil prices pushed headline inflation back up to 3.7%, well ahead of the 2.0% targeted by the Federal Reserve (Fed). The Fed reiterated its "higher for longer" stance on interest rates, making the timing of lower rates very hard to predict, but likely lying further into the future.

Consumer spending was strong in the third quarter, yet there are now growing fears of a slowdown in consumption, as savings accumulated during the pandemic have now largely been spent. In August, the New York Fed highlighted that credit card balances have risen for five consecutive quarters, and rose at the fastest rate in more than 20 years during the June quarter.

Purchasing Managers' Index (PMI) data in Europe remained subdued in September (having reached a 33-month low level in August). The economic slowdown was reflected in the sharp decline in inflation. UK core inflation fell to 6.2% in August from 6.9% in July, while in the Eurozone it declined to 4.5% in August from 5.3% in July. Except for the energy sector which was boosted by higher energy prices, Europe and UK equities also saw a broad decline.

In China, both retail sales and industrial production improved more than expected, albeit from a low base. In Japan, second-quarter corporate earnings have been better than expected, fuelled by a weak yen, which has helped exports.

While a very narrow group of US large-cap tech companies have performed strongly, global equity markets have otherwise had a challenging year. It appears much of the equity market has now priced in a recession-like scenario in 2024.

The Fund overall is trading at attractive earnings multiples. It is currently valued at 11.7x 2024 forward earnings, which is a highly attractive 35% discount to its 17.9x September 2020 market valuation level. While this market environment can be challenging for investors, the Fund continues to target high-quality, growing businesses whose fundamental value should be recognized by the market over the economic cycle.

The Fund established a position in **Glanbia,** a former dairy cooperative based in Ireland. It has built a leading B2B ingredients business, a US Cheese business, and the number one global whey protein business "On!".

Whey protein prices tripled over the last year which had a negative impact on the company's margins. However, good progress has been made in transitioning the distribution of performance nutrition products from specialty nutrition shops to mainstream outlets such as Wal-Mart, Costco, and Amazon, enhancing its market position, especially in the United States.

The Fund also initiated a holding in Truecaller, which was established in Sweden by Syrian refugees. It maintains a database of telephone numbers used in scams that protects users from these calls. The business model is interesting as the company owns the largest global database of such numbers, which are self-reported by users, giving the company a strong market position.

Truecaller has become a top five downloaded application in many emerging market countries, where spam calls are a major issue. It now has 350 million users with high customer satisfaction levels. Recently, the stock underperformed upon concerns that the digital advertising market was slowing. However, the company continues to grow rapidly while maintaining good profitability. Revenue growth remains in its early stages, is a high-quality business, and has solid potential to grow earnings over many years.

The Fund's top contributor to relative returns in September was Parkland, a Canadian petrol station and convenience store operator. The company has improved its capital allocation, with activist investors encouraging it to pay down debt further and increase share buybacks.

US-based HR outsourcer TriNet Group also performed solidly last month, as the stock price continued to rally after a solid set of earnings results, which raises the potential for share buybacks. The company continues to effectively help small business customers shed costs, creating recurring revenues.

The UK's largest online package holiday business On the Beach outperformed following very strong full year earnings results. While travel industry stocks have not yet recovered, earnings certainly have, making it a very interesting secular growth company, which is currently valued at a mid-single digit multiple of earnings.

Ray Co, a South Korean dental x-ray manufacturer underperformed upon continued concerns that slowing economic growth in China will impact its earnings growth. This led the Fund to reduce its position in the stock.

Polish discount grocery store chain Dino Polska underperformed as rising political tensions in Poland impacted investor sentiment. This caused a broader share market sell-off in the country.

FEATURES

APIR CODE	PCL0022AU
REDEMPTION PRICE	A$ 1.3918
FEES *	Management Fee: 1.1% Performance Fee: 20.5%
MINIMUM INITIAL INVESTMENT	A$10,000
FUM AT MONTH END	A$ 127.61m
STRATEGY INCEPTION DATE	1 April 2015
BENCHMARK	MSCI All Country World SMID Cap Index unhedged in AUD

FUND MANAGERS

Jon Moog
CIO and Portfolio Manager

David Li
Head of Research and Portfolio Manager

1. Net performance figures are shown after all fees and expenses, and assume reinvestment of distributions. No allowance has been made for buy/sell spreads. Please refer to the PDS for information regarding risks. Past performance is not a reliable indicator of future performance, the value of investments can go up and down.
2. Inception 1st April 2015.
3. Annualised standard deviation since inception.
4. Relative to MSCI All Country World SMID Cap index unhedged in AUD.

* For further information regarding fees please see the PDS available on our website.

PENGANA GLOBAL SMALL COMPANIES FUND

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